

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Duplain	County Clinton
Fiscal Year End 3/31/2006	Opinion Date 6/8/2006	Date Audit Report Submitted to State 9/15/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

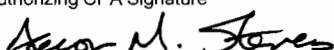
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	NA	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Aaron M. Stevens, CPA	License Number 1101024055	

**Township of Duplain
Clinton County, Michigan**

FINANCIAL STATEMENTS

March 31, 2006

Township of Duplain
Clinton County, Michigan
March 31, 2006
BOARD OF TRUSTEES

Kam Washburn	Supervisor
Richard Bates	Clerk
Amy Bowen	Treasurer
Matthew Peck	Trustee
Russell Schoch	Trustee

Township of Duplain
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Principals

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ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Duplain
Elsie, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Duplain, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Duplain's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Duplain, Michigan as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 8, 2006

Township of Duplain

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2006

The following is a discussion and analysis of the Township of Duplain (the Township's) financial performance and position, providing an overview of the activities for the year ended March 31, 2006. This analysis should be read in conjunction with the Independent Auditor's Report and with the Township's financial statements, which follow this section.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2006:

- State shared revenue, the Township's largest revenue source in the General Fund, was approximately \$86,044 this year.
- Property tax revenues increased approximately \$1,800 from the prior year. The increase is the net result of increasing property values in the Township.
- Total fund balances related to the Township's governmental funds increased by \$23,164.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Duplain as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township of Duplain in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township of Duplain acts solely as a trustee or agent for the benefit of those outside the government.

The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2005 and March 31, 2006.

	Years Ended March 31,	
	<u>2005</u>	<u>2006</u>
Assets		
Current assets	\$ 173,447	\$ 203,407
Capital assets	<u>120,059</u>	<u>120,724</u>
Total assets	293,506	324,131
Liabilities		
Current liabilities	3,229	10,025
Net Assets		
Invested in capital assets,		
Net of related debt	120,059	120,724
Unrestricted	<u>170,218</u>	<u>193,382</u>
Total net assets	<u>\$ 290,277</u>	<u>\$ 314,106</u>

Township of Duplain

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2006

The Township's total net assets were \$314,106 at March 31, 2006. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$193,382 at the end of the fiscal year. The net asset invested in capital assets, net of related debt were at \$120,724.

The following table shows the changes in net assets for the year ended March 31, 2005 and March 31, 2006.

	Years Ended March 31,	
	<u>2005</u>	<u>2006</u>
Revenue		
Program revenue:		
Charges for services	\$ 5,783	\$ 19,776
Operating grants and contributions	28,992	3,479
General revenue:		
Property taxes	133,689	135,537
State shared revenue	84,185	86,044
Investment earnings	774	2,261
Other revenue	<u>4,266</u>	<u>2,343</u>
Total revenue	257,689	249,440
Program Expenses		
General government	85,884	83,374
Public safety	66,774	62,536
Public works	64,763	33,642
Health and welfare	9,316	18,632
Community and economic development	4,823	4,985
Recreation and cultural	7,778	14,929
Other	<u>6,127</u>	<u>7,513</u>
Total program expenses	<u>245,465</u>	<u>225,611</u>
Change in Net Assets	<u>\$ 12,224</u>	<u>\$ 23,829</u>

Governmental Activities

The Township's governmental revenues totaled \$249,440 with the greatest revenue sources being property taxes and State Revenue Sharing. Property taxes and State Revenue Sharing make up approximately 54% and 34% percent, respectively, of total governmental revenue.

The Township incurred expenses of \$225,611 during the year. The majority of governmental expense is associated with the general government function, which includes Township Board, Supervisor, Clerk, and Treasurer. The second highest level of expense is incurred in the public safety area, which includes fire protection services.

The Township's Funds

The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township of Duplain as a whole. The Township of Duplain's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The Township's major funds for the fiscal year ended March 31, 2006 include the General Fund and the Emergency Services Fund.

Township of Duplain

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2006

The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was general government activities, which incurred expenditures of \$90,937 for the fiscal year. Emergency services are partially supported by a special public safety millage, which is recorded in the Emergency Services Fund.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments, with the exception of two line items in the General Fund and one line item in the Emergency Services Fund, which had a negligible actual over adjusted budget expenditure, to fund unanticipated expenditures during the year. Budget amendments were made to cover the costs of various minor increased costs over certain budgeted line items. However, because all departments came in under budget at year end, there was an overall favorable variance of approximately \$30,528 from budget.

Capital Asset

At the end of the fiscal year, the Township had approximately \$120,724 invested in a broad range of capital assets, including buildings, land, and equipment net of accumulated depreciation. In addition, the Township has made certain investments in roads and drains within the Township of Duplain. These assets are not reported in the Township of Duplain's fund statements, because under Michigan law, these roads and drains are the property of the Clinton County Road and Drain Commissions, respectively.

Current Economic Factors

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer at the Township Hall at (989) 862-4522.

BASIC FINANCIAL STATEMENTS

Township of Duplain
STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 189,118
Due from other governmental units - local	<u>14,289</u>
Total current assets	203,407
Noncurrent assets	
Capital assets, net	<u>120,724</u>
TOTAL ASSETS	324,131
LIABILITIES	
Current liabilities	
Accounts payable	<u>10,025</u>
NET ASSETS	
Invested in capital assets	120,724
Unrestricted	<u>193,382</u>
TOTAL NET ASSETS	<u><u>\$ 314,106</u></u>

See accompanying notes to financial statements.

Township of Duplain
STATEMENT OF ACTIVITIES
Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 83,374	\$ 19,776	\$ -	\$ (63,598)
Public safety	62,536	-	-	(62,536)
Public works	33,642	-	3,479	(30,163)
Health and welfare	18,632	-	-	(18,632)
Community and economic development	4,985	-	-	(4,985)
Recreation and cultural	14,929	-	-	(14,929)
Other	7,513	-	-	(7,513)
Total governmental activities	<u>\$ 225,611</u>	<u>\$ 19,776</u>	<u>\$ 3,479</u>	(202,356)
General revenues:				
				135,537
Property taxes				86,044
State shared revenue				2,261
Investment earnings				2,343
Other				<u>226,185</u>
Total general revenues				
				23,829
Change in net assets				
Net assets, beginning of the year				<u>290,277</u>
Net assets, end of the year				<u>\$ 314,106</u>

See accompanying notes to financial statements.

Township of Duplain

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2006

	General	Emergency Services	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 118,483	\$ 70,635	\$ 189,118
Due from County	6,505	7,784	14,289
Due from other funds	822	-	822
TOTAL ASSETS	\$ 125,810	\$ 78,419	\$ 204,229
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 9,025	\$ 1,000	\$ 10,025
Due to other funds	-	822	822
TOTAL LIABILITIES	9,025	1,822	10,847
FUND BALANCES			
Unreserved			
Undesignated, reported in:			
General Fund	116,785	-	116,785
Special Revenue Fund	-	76,597	76,597
TOTAL FUND BALANCES	116,785	76,597	193,382
TOTAL LIABILITIES AND FUND BALANCES	\$ 125,810	\$ 78,419	\$ 204,229

See accompanying notes to financial statements.

Township of Duplain

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2006

Total fund balances - governmental funds \$ 193,382

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	226,383	
Accumulated depreciation is	<u>(105,659)</u>	
Capital assets, net		<u>120,724</u>

Net assets of governmental activities \$ 314,106

See accompanying notes to financial statements.

Township of Duplain

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	General	Emergency Services	Total Governmental Funds
REVENUES			
Taxes	\$ 73,337	\$ 77,876	\$ 151,213
Intergovernmental	89,523	-	89,523
Interest	2,252	9	2,261
Other	6,443	-	6,443
TOTAL REVENUES	171,555	77,885	249,440
EXPENDITURES			
Current			
General government	84,039	-	84,039
Public safety	3,536	59,000	62,536
Public works	33,642	-	33,642
Health and welfare	-	18,632	18,632
Community and economic development	4,985	-	4,985
Recreation and cultural	14,929	-	14,929
Other	7,513	-	7,513
TOTAL EXPENDITURES	148,644	77,632	226,276
EXCESS OF REVENUES OVER EXPENDITURES	22,911	253	23,164
Fund balances, beginning of year	88,242	81,976	170,218
Prior period adjustments	5,632	(5,632)	-0-
Fund balances, end of year	\$ 116,785	\$ 76,597	\$ 193,382

See accompanying notes to financial statements.

Township of Duplain

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

Net change in fund balances - total governmental funds **\$ 23,164**

Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this amount is:

Capital outlay	6,000	
Depreciation expense	<u>(5,335)</u>	
Excess of capital outlay over depreciation expense		<u>665</u>

Change in net assets of governmental activities **\$ 23,829**

Township of Duplain

Fiduciary Fund

STATEMENT OF NET ASSETS

March 31, 2006

	<u>Current Tax Collections</u>
ASSETS	
Cash	\$ 30,560
Due from St. Johns Public Schools	<u>986</u>
TOTAL ASSETS	<u>\$ 31,546</u>
LIABILITIES	
Due to CCRESA	\$ 2,876
Due to Downtown Development Authority	22,813
Due to State	<u>5,857</u>
TOTAL LIABILITIES	<u>\$ 31,546</u>

See accompanying notes to financial statements.

Township of Duplain

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Township of Duplain, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services in many areas including fire protection, roads, and ambulance service.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*; these financial statements present all financial activities of Township of Duplain. The Township has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of Township of Duplain contain all the funds controlled by the Township Board.

2. Joint Ventures

The Township participates in the following activities, which are considered to be joint ventures in relation to the Township, due to the formation of an organization by an agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Elsie Area Ambulance Service - The Township of Duplain, in conjunction with the Townships of Chapin and Fairfield, has entered into an agreement which created the Elsie Area Ambulance Services, Inc., a Michigan nonprofit Corporation. The Corporation's Board is composed of the Supervisors from each Township. Duplain Township's Supervisor is the president of Elsie Area Ambulance Service, Inc.

Each Township is responsible to contribute annually to the Ambulance Service an amount equal to \$3.50 per resident to cover operational costs and an additional amount equal to \$3.50 per resident to cover the cost of equipment. The Township paid \$18,632 to the Ambulance Service for the year ended March 31, 2006.

Elsie Area Fire Association - Duplain Township, in conjunction with Fairfield and Chapin Townships, and the Village of Elsie has entered into an agreement which created the Elsie Area Fire Association. Each municipality appoints one individual and the fire department appoints one individual at large to the governing body of the Fire Association. The at large member shall not be a member of, or associated with, the fire department.

For the year ended March 31, 2006, the Township paid the Association \$48,300 as a "ready to serve" fee and \$11,700 for fire runs.

The financial activities of the Elsie Area Fire Association are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended March 31, 2006, are available from the Association. As of March 31, 2006, the Association had a fund balance of \$5,183.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Township as a whole.

Township of Duplain
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - continued

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services that are restricted to meeting the operational requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds. Separate financial statements are provided for governmental funds and fiduciary fund, even though the latter are excluded from the government-wide financial statements.

The major funds of the Township are:

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Emergency Services Fund - The Emergency Services Fund is used to account for the proceeds of specific revenue sources, such as property taxes, that are used to finance emergency services activities such as fire protection and ambulance service.

4. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental funds financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

5. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Basis of Accounting - continued

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

6. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required supplementary information to the financial statements were prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected as required supplementary information to the financial statements:

- a. Prior to April 1, the budget is legally adopted for the General Fund on a departmental (activity) level and the Special Revenue Fund is legally adopted at the fund level through passage of an ordinance. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or as amended by the Township Board during the year. Individual amendments were appropriately approved by the Township Board in accordance with required procedures.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of money market checking or savings accounts.

8. Due From Other Governmental Units

Due from other governmental units consists of amounts due from local units of government for property taxes collected that are still owed to the Township.

9. Capital Assets

Capital assets include land, buildings, and building additions and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an initial individual cost of \$3,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and additions

40 years

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Property Taxes

The Township of Duplain bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for emergency services. For the year ended March 31, 2006, the Township levied 0.9852 mills per \$1,000 of assessed valuation for general governmental services and 1.4778 mills for emergency services. The total taxable value for the 2005 levy for property within the Township was \$52,793,160.

11. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Compiled Laws, the Township of Duplain is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Township of Duplain

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of March 31, 2006, the carrying amounts and bank balances for the accounts were as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 174,263	\$ 180,300
Savings	<u>1,265</u>	<u>1,265</u>
	175,528	181,565
FIDUCIARY FUND		
Checking	<u>44,150</u>	<u>47,036</u>
	<u>\$ 219,678</u>	<u>\$ 228,601</u>

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The bank balances as of March 31, 2006, were insured by the FDIC for \$101,265. The remaining balance of \$127,336 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2006, the Township did not have any investments that would be subject to rating.

Interest rate risk

The Township has not adopted a policy that addresses interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of credit risk

The Township has not adopted a policy that addresses concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer.

Township of Duplain
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 31, 2006, are as follows:

Due to General Fund from:	
Emergency Services Fund	\$ <u>822</u>

Amounts appearing as interfund payables and receivables arise from transactions where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 was as follows:

	Balance April, 1, 2005	Additions	Deletions	Balance March 31, 2006
Governmental activities				
Capital assets not being depreciated				
Land	\$ 7,001	\$ -	\$ -	\$ 7,001
Construction in progress	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
	7,001	6,000	-0-	13,001
Capital assets being depreciated				
Buildings and additions	213,382	-	-	213,382
Less accumulated depreciation for:				
Buildings and additions	<u>(100,324)</u>	<u>(5,335)</u>	<u>-</u>	<u>(105,659)</u>
Net capital assets being depreciated	<u>113,058</u>	<u>(5,335)</u>	<u>-0-</u>	<u>107,723</u>
Capital assets, net	<u>\$ 120,059</u>	<u>\$ 665</u>	<u>\$ -0-</u>	<u>\$ 120,724</u>

Depreciation expense of \$5,335 was included in the general government function on the statement of activities.

NOTE E: RISK MANAGEMENT

The Township is exposed to various risks of loss including in-land marine; property; and liability for which the Township carries commercial insurance.

The Township also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

Township of Duplain
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE F: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the required supplementary information to the financial statements, the Township's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and the total expenditures level for the Special Revenue Fund.

During the year ended March 31, 2006, the Township incurred expenditures in the General Fund and Emergency Services Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Township Hall	\$ 3,200	\$ 6,120	\$ 2,920
Emergency Services Fund			
Public Safety	57,847	59,000	1,153

NOTE G: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the current period, which were the result of the corrections of accounting errors. These adjustments were reported as changes to beginning fund balance. The effect on operations and other affected balances for the current and prior year are as follows:

	<u>2006</u>	<u>June 30,</u> <u>2005</u>	<u>Description</u>
PRIMARY GOVERNMENT			
General Fund			
Revenues over (under) expenditures	\$ -	\$ 5,632	To correct understated tax revenue
Fund balance - beginning	5,632	-	
Emergency Services Fund			
Revenues over (under) expenditures	-	(5,632)	To correct overstated tax revenue
Fund balance - beginning	(5,632)	-	

REQUIRED SUPPLEMENTARY INFORMATION

Township of Duplain

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current tax levy	\$ 50,700	\$ 50,700	\$ 57,661	\$ 6,961
Administrative fees	9,600	9,600	15,676	6,076
Total taxes	60,300	60,300	73,337	13,037
Intergovernmental				
State revenue sharing	89,000	89,000	86,044	(2,956)
Metro act	1,500	1,500	3,479	1,979
Total intergovernmental	90,500	90,500	89,523	(977)
Interest	100	100	2,252	2,152
Other	7,000	7,000	6,443	(557)
TOTAL REVENUES	157,900	157,900	171,555	13,655
EXPENDITURES				
General government				
Township Board	20,900	20,731	16,969	3,762
Supervisor	8,900	8,900	8,755	145
Elections	9,300	7,800	2,199	5,601
Assessor	15,860	15,860	14,937	923
Clerk	14,150	14,150	13,860	290
Board of review	800	800	416	384
Treasurer	18,100	18,100	15,483	2,617
Township hall	3,200	3,200	6,120	(2,920)
Cemetery	4,350	5,850	5,300	550
Total general government	95,560	95,391	84,039	11,352
Public safety				
Fire protection	4,000	4,000	3,536	464
Public works				
Street lights	150	150	132	18
Highways, streets, and bridges	38,065	34,365	29,044	5,321
Drains	3,500	4,500	4,466	34
Total public works	41,715	39,015	33,642	5,373

Township of Duplain

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Community and economic development				
Planning and zoning	\$ 17,050	\$ 17,050	\$ 4,985	\$ 12,065
Recreation and cultural				
Parks and recreation contributions	11,000	11,369	11,369	-0-
Library contribution	4,500	4,500	3,560	940
Total recreation and cultural	15,500	15,869	14,929	940
Other	6,500	9,000	7,513	1,487
TOTAL EXPENDITURES	180,325	180,325	148,644	31,681
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(22,425)	(22,425)	22,911	45,336
Fund balance, beginning of year	88,242	88,242	88,242	-0-
Prior period adjustment	-	-	5,632	(5,632)
Fund balance, end of year	\$ 65,817	\$ 65,817	\$ 116,785	\$ 45,336

Township of Duplain
Emergency Services Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended March 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ -	\$ -	\$ 77,876	\$ 77,876
Interest	-	-	9	9
TOTAL REVENUES	-0-	-0-	77,885	77,885
EXPENDITURES				
Public safety				
Contracted services	54,800	57,847	59,000	(1,153)
Health and welfare				
Contracted services	<u>18,800</u>	<u>18,632</u>	<u>18,632</u>	<u>-0-</u>
TOTAL EXPENDITURES	<u>73,600</u>	<u>76,479</u>	<u>77,632</u>	<u>(1,153)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(73,600)	(76,479)	253	79,038
Fund balance, beginning of year	81,976	81,976	81,976	-0-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(5,632)</u>	<u>5,632</u>
Fund balance, end of year	<u>\$ 8,376</u>	<u>\$ 5,497</u>	<u>\$ 76,597</u>	<u>\$ 79,038</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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**COMMUNICATION OF REPORTABLE CONDITIONS, OTHER COMMENTS,
AND RECOMMENDATIONS TO MANAGEMENT AND COUNCIL**

To the Members of Township Board
Township of Duplain
Elsie, Michigan

Dear Ladies/Gentlemen:

In planning and performing our audit of the financial statements of the Township of Duplain for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township of Duplain's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls.

REPORTABLE CONDITIONS

RECONCILIATIONS OF BANK ACCOUNTS

During our analysis of cash and cash equivalents, we noted that the Township had not reconciled the bank accounts with the general ledger throughout the year. This issue was noted and reported in our comments last year.

The Uniform Accounting Procedures Manual issued by the Department of Treasury contains the basic financial records, documents, and procedures that are applicable to all counties and local units of government in Michigan. That manual states that all bank accounts must be reconciled to the local unit accounting records monthly. The clerk's records must agree with or reconcile to the treasurer's and the bank's records. A reconciliation sheet should be prepared in duplicate for each month with one copy for the clerk and one copy for the treasurer.

We recommend the Township assure that reconciliations are prepared on a monthly basis for all bank accounts and that the reconciliations be performed in a timely manner.

BUDGETING PROCESS

During our review of the Township's compliance with the budgeting act, we noted that the Township had not budgeted revenues for the Emergency Services Fund. We also noted that expenditures of the Township exceeded the amounts appropriated for both the General Fund and the Emergency Services Fund. This issue was noted and reported in our comments last year.

The Michigan Public Act 621 of 1978, as amended, provides that the Township shall not incur expenditures in excess of the amounts appropriated. We recommend the Township adopt a budget that includes revenues for the Emergency Services Fund and also monitor expenditures against the adopted budget on a periodic basis, preferably monthly. Appropriate budget amendments should be made as needed.

PAYROLL DISBURSEMENTS PROCESS

During our testing of the payroll disbursements process, we also noted three (3) instances where documentation supporting the authorized rate of pay could not be located.

We recommend that payroll disbursements be made in accordance with the approved wage rates set by Council and that support for the approved wage rates be retained for audit purposes.

PROPERTY TAX COLLECTIONS

During our analysis of property tax revenue, we noted that the Township had been delinquent in distributing tax receipts that were collected for other taxing units. Distributions of the tax collections on hand on the first and fifteenth day of each month should be made to other taxing units within 10 business days.

We recommend the Township distribute property tax collections to the General Fund, Emergency Services Fund, and to all other taxing units in a timely manner.

OTHER COMMENTS AND RECOMMENDATIONS

DOUBLE ENTRY ACCOUNTING SYSTEM

During the course of our audit, it was noted that the Township Clerk records the receipts and disbursements amounts in a ledger book, which does not provide year-to-date information for revenues and expenditures by account. Although the ledger maintains the cumulative cash balance, the fund balance account is not being utilized in the ledger book (i.e., only one (1) side of the accounting entry is being recorded). This issue was noted and reported in our comments last year.

After the fiscal year had ended, the Township took the steps necessary to obtain training and be able to resume the utilization of QuickBooks software that was purchased and implemented in the 2003 fiscal year. QuickBooks will provide the Township a double-entry system of accounting, which will strengthen and improve internal control over the financial reporting process.

INVESTMENT POLICY AMENDMENT

During the course of our audit and through discussions with management, it was noted that although the Township currently has an investment policy, the policy has not been amended to address the reporting requirements of GASB Statement No. 40. Effective for the year ended March 31, 2006, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the Township's ability to provide services and meet its obligations as they become due.

We suggest that management review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk, as necessary. Such policies are required by GASB Statement No. 40 to be disclosed in the notes to the Township's financial statements.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the March 31, 2006 financial statements, and this report does not affect our report on those financial statements dated June 8, 2006. We have not considered the internal controls since the date of our report.

This report is intended solely for the information and use of the Township Board for the Township of Duplain, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these reportable conditions, other comments, and recommendations with you, and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 8, 2006